From: Keith Hutchinson <[redacted]>
Sent: Monday, March 11, 2024 4:40 PM
To: Ben Woodham <[redacted]>
Subject: ENA follow up-submission on Capex Framework

ENA follow-up-submission on Capex Framework

Kia ora Ben,

Please find the below ENA responses to the questions posed by the Commission in the presentation slides from the 26 February Capex framework workshop.

None of the responses are confidential and ENA welcomes their publication in full.

If you have any questions regards the below, please be in touch.

Ngā mihi

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Findings of the 2023 Asset Management Plan Review

Q1.

The AMP review should be used to inform the Commission's capex framework. However, the Commission should recognise the limitations of the review including its focus on the 2023 AMP, rather than the more recent 53ZD response data and EDBs 2024 AMPs.

Metrics for assessing system growth, customer connection and renewal-related expenditures.

Q1.

The use of single assessment metrics without context should be avoided by the Commission. This is particularly pertinent with the use of raw percentage changes in individual expenditure categories.

The DPP regime is intended to be low-cost, the use of raw % changes as the threshold for further assessment may result in scarce resources being unnecessarily committed to the review of asset categories of smaller EDBs. These expenditures which may appear material but simply reflect the volatility of expenditure driven by the infrequent and lumpy nature of some investment types.

Ultimately, the scale of change in capex should be seen in the context of the expenditure's impact on consumers. In the low-cost DPP context, the threshold for additional scrutiny should be the impact of the expenditure on EDB's building block allowable revenue. ENA recommends that the Commission adopt a threshold for scrutiny of an increase in capital expenditure of any category that results in greater than a 1% increase in that EDB's building block allowable revenue. The Commission should incorporate a sense check into their review process to ensure scarce resources are not committed to reviewing expenditure categories that have little impact.

System growth

Q1.

No comment.

Q2.

As noted above, the test for greater scrutiny should be the impact on revenue rather than the percentage movement between individual categories which will have an insignificant impact on consumers' bills.

Application of additional tests

Q1.

As above, the test of additional scrutiny should be the impact on consumers' bills as represented by the EDB's building block allowable revenue.

Q2.

ENA's view is that the historical reference period used should primarily focus on the current and future cost and operating environment faced by EDBs. In practice, this means that the historical reference period should be the weighted average actual capital expenditure over the current regulatory control period (2020-2025) with a greater weighting on more recent years. ENA suggests the weightings below be used.

Year ending March	2021	2022	2023
Weighting	16.67%	33.33%	50.00%

ENA would like the Commission to consider incorporating year-end March 2024 capital expenditure data in this weighted three-year historical reference period. However, ENA recognises that timing challenges may make this unachievable.

Large Connection Contract

Q1.

No comment.

Q2.

No comment.

Additional Reporting Requirements

Q1.

The regulatory reporting burden on EDBs is already high. ENA's view is that the existing DPP compliance reporting requirements, combined with the Commission's Information Disclosure regime (which incorporates AMP reporting requirements), provide more than sufficient information for interested parties (including the Commission) to assess EDB's delivery of their work programmes.

Q2.

As above, ENA views additional reporting requirements as unnecessary under a low-cost DPP.

Q3.

No comment.